



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

January 13, 2006

H.R. 4438 **Gulf Coast Recovery Act of 2005**

*As ordered reported by the House Committee on Transportation and Infrastructure
on December 7, 2005*

SUMMARY

The Federal Emergency Management Agency (FEMA) provides disaster unemployment assistance to people who are not covered by other unemployment compensation programs. Under current law, such benefits are limited to 26 weeks. H.R. 4438 would provide an additional 26 weeks of unemployment benefits. H.R. 4438 also would authorize FEMA to reimburse state and local governments for certain base pay and overtime expenses of employees whose work is essential to the recovery from Hurricanes Katrina and Rita.

CBO expects that FEMA would pay for the cost of those activities with funds provided by two supplemental appropriation laws enacted after Hurricane Katrina (Public Laws 109-61 and 109-62). Under current law, CBO does not expect that FEMA will spend all of the funds provided by those laws over the 2006-2010 period. Because this legislation would provide a new use for those funds, CBO expects that more of the appropriated funds will be spent over the next five years. CBO estimates that enacting H.R. 4438 would increase spending by \$465 million in 2006 (an increase in direct spending) but would have no net impact on total outlays over the next 10 years because it would reduce spending after 2010.

In addition to those changes, H.R. 4438 would authorize the appropriation of \$600 million over the 2006-2008 period for FEMA to provide grants to state and local government for communications equipment. Assuming appropriation of the authorized amounts, CBO estimates that providing such grants would cost \$556 million over the 2006-2010 period and another \$44 million after 2010.

H.R. 4438 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). State and local governments would benefit from several provisions in this bill, and costs to those governments would be incurred voluntarily as conditions of receiving federal aid.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4438 is shown in the following table. The costs of this legislation fall within budget function 450 (community and regional development).

By Fiscal Year, in Millions of Dollars										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
CHANGES IN SPENDING SUBJECT TO APPROPRIATION										
Authorization Level	200	200	200	0	0	0	0	0	0	0
Estimated Outlays	12	92	156	188	108	44	0	0	0	0
CHANGES IN DIRECT SPENDING										
Budget Authority	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	465	0	0	0	0	0	0	-65	-200	-200

BASIS OF ESTIMATE

H.R. 4438 would authorize the appropriation of \$600 million over the 2006-2008 period for grants to state and local governments to buy communications equipment. The legislation also would affect direct spending by expanding FEMA's authority to provide unemployment benefits and authorizing FEMA to reimburse state and local governments for base pay and overtime expenses of certain employees.

Spending Subject to Appropriation

H.R. 4438 would authorize the appropriation of \$200 million in each year over the 2006-2008 period for grants to state and local governments to buy communications equipment that would help first responders, government officials, and emergency personnel to communicate more effectively during an emergency.

Assuming appropriation of the amounts specified in the legislation, CBO estimates that providing such grants would cost \$556 million over the 2006-2010 period and another \$44 million in 2011. This estimate of outlays is based on historical spending patterns of similar programs.

Direct Spending

H.R. 4438 would expand FEMA's authority to provide aid after Hurricanes Katrina and Rita by authorizing FEMA to reimburse state and local governments for the cost of paying certain employees and by extending the period of time that FEMA may provide unemployment benefits.

CBO expects that FEMA would pay for the cost of those activities with funds already provided by Public Laws 109-61 and 109-62. Of the funds provided by those appropriation acts, CBO expects that FEMA will not spend \$1.1 billion over the next five years under current law. CBO estimates that the cost of expanding FEMA's authority under H.R. 4438 would cost \$465 million; therefore, enacting the legislation would increase direct spending by \$465 million in 2006 and reduce it by the same amount over the 2013-2015 period.

Reimbursement for Paying State and Local Employees. H.R. 4438 would authorize FEMA to reimburse state and local governments for the cost of paying 75 percent of the base salary and overtime expenses of employees whose work is essential to the recovery from Hurricanes Katrina and Rita. The bill would limit such reimbursements to expenses that state and local governments incur over the first six months of calendar year 2006. Under the legislation, employees whose expenses are eligible for reimbursement include workers who provide fire, law enforcement, emergency medical, public works, emergency management, planning, and building codes services. A state or local government would receive reimbursements under the bill only if it had suffered a loss in its operating revenues of at least 25 percent as a result of Hurricanes Katrina or Rita.

Based on employment and payroll information for the states of Louisiana and Mississippi from the U.S. Census Bureau, CBO estimates that reimbursing state and local governments for such expenses would cost \$215 million.

Disaster Unemployment Assistance. Under current law, individuals unemployed as a result of the hurricanes but not eligible for regular unemployment compensation can receive up to 26 weeks of disaster unemployment assistance. Based on claims to date, CBO estimates that these benefits would total \$450 million under current law. Allowing those individuals to collect benefits for 52 weeks would increase these costs by \$250 million, CBO estimates.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 4438 contains no intergovernmental or private-sector mandates as defined in UMRA. State and local governments would benefit from several provisions in this bill. It would authorize payments for salary and overtime costs for some personnel in state and local

governments that lost more than 25 percent of their annual operating budgets as a result of hurricanes Katrina and Rita. CBO estimates that local governments along the Gulf Coast would receive about \$250 million. Assuming appropriation of authorized amounts, state and local governments also would benefit from \$200 million in each of fiscal years 2006 through 2008 to purchase interoperable communications equipment and emergency power generators to improve responses to emergencies. Any costs to those governments would be incurred voluntarily as conditions of receiving federal aid.

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